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EFFECT OF CENTRALIZED PAYMENT OF AUDIT FEES IN THE NIGERIAN PUBLIC SECTOR ON AUDITORS INDEPENDENCE: MINISTRY OF FEDERAL CAPITAL TERRITORY ADMINISTRATION, ABUJA

Olufemi Yeye

National Universities Commission,
Abuja,
Nigeria

ABSTRACT

This study examined the effect of centralized payment of audit fees on the independence of Auditors with a focus on Nigerian public sector. The study was guided by two hypotheses and the descriptive survey design was used. The population of the study consisted of 120 staff of three government parastatals under the Ministry of Federal Capital Territory Administration (FCTA), out of which, a sample of 92 staff were randomly obtained. The Taro Yamane formula was the basis of determining the sample size of the study. Primary and secondary data were used for the study. The collected data were analyzed using Spearman Rank Order Correlation Coefficient with the aid of Statistical Package for Social Sciences. Findings however revealed that there is a significant relationship between audit tenure and audit quality and that the centralized audit fee payment system being practiced in Nigerian Public Sector, have significant positive effect on auditors' independence with evidence from the Federal Capital Territory Administration, Abuja. The study therefore recommends a paradigm shift toward the centralised payment of the audit fees on behalf of parastatals and agencies by the supervising ministries in order to enhance external auditor's independence.

1. INTRODUCTION

In Nigeria, auditors play an important role as 'gatekeepers' to public capital markets. By attesting to the accuracy of a company's financial statements, the auditor lends his credibility to that company and its financial health as he expresses a professional opinion on whether the financial statements give true and fair view and are properly prepared in accordance with Companies and Allied Matters Act 1990 (as amended). An auditor is an official whose job is to carefully check the accuracy of business records.

An auditor might be either an internal auditor, or external auditor for accounting firms in the public

or private sector. Auditors can also work for many different entities, such as the Internal Revenue Service (IRS) or a state government. Auditors assess financial operations and ensure organizations run efficiently (Williams, 2011). An Auditor is a person or group of persons that conduct an official inspection of an organization's accounts, typically by an independent body. Auditor should be approved and must have personal and operational independence in order to perform his duty effectively (Gipson, 2008).

An external auditor performs an audit, in accordance with specific laws or rules, of the financial statements of a company, government entity, other

legal entity, or organization, and is independent of the entity being audited. External auditors normally address their reports to the shareholders of a corporation (Mainoma, 2007). Auditing is an independent examination of, and the expression of an opinion on the financial statements of an enterprise by an appointed auditor, in accordance with his terms of engagement and the observance of statutory regulations and professional requirements (Dandago, 2009).

It is a systematic investigation and appraisal of transactions procedures, operations and result in financial statements (Anichebe, 2010). One of auditing most vital concepts is auditor independence (Barkes, & Urquhart, 2012), however independence as perceived by users of accounting information may differ from independence in fact. An auditor does not only have to have independent in fact, but independent in appearance also (Simnet, 2011). The independence of auditors in Nigeria has been frequently questioned. The ways in which Nigerian auditors secure their audit assignments and the rate at which they lobby for auditing job put their independence in jeopardy. The recent collapse and related frauds which occurred in Nigeria have raised doubts about the financial reporting practices of quoted companies in Nigeria (Adeyemi & Fagbemi, 2011), and led to a growing demand for accountability in public and private sectors in Nigeria.

Otusanya and Lauwo (2010) opined that regulatory requirements and internal administration policies are key considerations in the design of an effective auditing system. Audit plays an essential role in serving the public interests, strengthens accountability, and reinforce trust and confidence in financial reporting system (Humphrey, 2007).

The basic purpose of financial statements is to assist decision makers in evaluating the financial strength, profitability and the future prospects of a business entity. The basic objective for preparing financial statement is to provide information useful for making economic decisions. The objective of an audit of financial Statements is to enable the auditor express an opinion whether the financial statements are prepared in all material respects and also in accordance with auditing standard (Ikwa, 2006). The function of auditing is to lend credibility to the financial statement. The financial statements preparation is the responsibility of the management, while auditor responsibility is to lend credibility of the financial statements. The auditor also increases the credibility of other non-audited information which is released by the management (Izu, 2008).

According to Adebayor (2011), for an audit to be credible and reliable, it must be performed by

someone who is independent and cannot be influence by position or power which will affect its own conclusion. Mednick (2001) stated that the auditor independence has long been recognized as the cornerstone of the public accounting profession and that it is privileged to govern itself. Society grants power and privilege to the Accounting profession.

Sweeney (2013) opined that auditors are obligated to perform their duties for the public benefit in exchange for exclusive professional privilege. Therefore the general standard of generally accepted auditing standards states that “in all matters relating to the assignment, independence in mental attitude is to be maintained by the auditor or auditors so as to improve the audit quality. Audit quality can be explained as auditors use some techniques to recognize misstatements in clients accounting system and report the misstatements. Audit quality is the controversial issues for the recent decades and most previous evidence suggests that lack of audit quality is among the most important reason for financial and corporate scandals (Soltani, 2014).

Therefore this study seek to examine the effect of centralize payment of audit fee in the Nigerian public sector on auditor independence.

1.1 Statement of the Problem

The increased rate of folding of firms like banks, cooperate organizations and manufacturing firms most especially in the Nigeria has become the talk of the day. The issue of failure of organizations to achieve optimal performance through consistent growth and development has been a course for concern for many organizations in Nigeria business environment. The issues of poor accountability and embezzlement of funds by employee have become a great challenge to the growth of many organizations both in expansion and finance (Ngi, 2011).

Financial reports as stated in Igben (2009) are meant to be a formal record of business activities and these reports are meant to provide an overview of the financial position and profitability in both short and long term of companies to the users of these financial statements such as shareholders, managers, employees, tax analyst, banks, etc. auditors independent is very crucial due to its effect on audit quality.

In Nigeria, the Cadbury (Nig) PLC scandal has remained a reference point for fraudulent financial reporting. Other incidences of fraudulent financial reporting in Nigeria include the fraud at AfrifbankPlc and Lever brothers (Nig) Plc(Ajayi 2006). Fraudulent financial reporting has dire consequences for the economy of any Nation and the victim organizations (Okaro, 2013). Its effects include financial loss and dent on the reputation of the victim organization(Burnaby, Howe & Muchlmann, 2011).

The financial effect of fraud runs into billions of dollars annually (Bourke 2006). In the wake of the high profile fraud at WorldCom and ENRON average loss per case increased to \$400million(Beasley, 2010). Though different studies have been carried out on auditors independence, but in recent times, Walter, Grey and Harrison (2014) opined that the financial manipulations, poor management, weak internal control systems, ignorance on the part of the board of directors and audit committee are major challenges facing auditors independence.

Noteworthy, auditors' independence is the conditional probability of reporting a discovered breach of contract and so essential in the achievement of audit objective. Most literature on auditors' independence has their focus on quoted firms and private owned businesses. There is however, dearth of literature on the implications and effect of central payment of audit fees on the independence of the Auditors in the public sector. This study therefore tends to fill this gap in knowledge and provide a spin-off for further research into this area.

In view of the aforesaid, this study therefore aims at analyzing the effect of centralized payment of audit fee in the Nigerian public sector on auditor independence by focusing on the Ministry of Federal Capital Territory Administration. Specifically, this study sets out to:

1. evaluate the effect of centralized payment for audit services on audit quality.
2. determine the effect of centralized payment for non-audit services on audit tenure.

In light of the above, this study hypothesize thus:

H_{01} : There is no significant effect of centralized payment for audit services on audit quality.

H_{02} : centralized payment for auditors' provision of non-audit services and audit tenure.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Audit

An audit is a careful and unbiased examination of an inquiry into any statement of account relating to money worth, the underlying documents and the physical assets where possible and all other available evidence as well enable the auditor to form report accordingly (Thorne, 2010). One of auditing most vital concepts is auditor independence (Barkes, Simnet, & Urquhart, 2012). However, independence as perceived by users of accounting information may differ from independence in fact. An auditor does not only need to have independent in fact, but independent in appearance also. The independence of auditors in Nigeria has been frequently questioned. The ways in which Nigerian auditors secure their audit

assignments and the rate at which they lobby for auditing job put their independence in jeopardy (Abubakar, 2008).

The recent collapse and related frauds which occurred in Nigeria have raised doubts about the financial reporting practices of quoted companies in Nigeria (Adeyemi & Fagbemi, 2011), and led to a growing demand for accountability in public and private sectors in Nigeria. Otusanya and Lauwo (2010) studied the role of auditors in the failure of the Nigerian banking system, and indicted Nigerian auditors with numerous instances of sloppy audit reporting (Adeyemi & Fagbemi, 2011).

2.1.2 Auditor Independence

According to Baker (2011), auditor independence is the conditional probability of reporting a discovered breach of contract. Audit Independence can also be defined as an auditor's unbiased mental attitude in making decisions throughout the audit and financial reporting process. Independence refers to the quality of being free from influence, persuasion or bias, the absence of which will greatly impair the value of the audit service and the audit report (Nasiri, 2014). An auditor's lack of independence increases the possibility of being perceived as not being objective. Baker argues that auditor independence may be impaired when auditors earn client specific fees, which provide an incentive not to report the discovered breach to retain the client. The relative strength of this incentive depends on the significance of the client to the auditor's portfolio. The client-specific fee-for-services lead to the practice of setting audit fees below the market on initial audit engagements to retain the client (Angelo, 2011).

2.1.3 Threats to Auditors Independence

Sharma (2006) argue that for an effective list of threats to auditor independence, there is a need to study the opinion the auditor ought to have given relative to the actual opinion given. If it is determined that the auditor ought to have given a qualified audit opinion, but had given a clean opinion; the reasons for the deviation could be attributed to independence impairment after controlling for other explanations. According to ICAN (1999), a number of threats to independence were identified. These threats include: self-interest; self-review; advocacy, familiarity, and intimidation. A brief outline of the five types of threats which may occur as a result of Non-audit services are:

- **The Self-interest Threat**

An auditor's independence may be threatened if a firm or a member of the audit team benefits from a financial interest in an audit client. This could arise, for example, from a direct or indirect interest in a client; or from a fear of losing the client. In other words, all works that create a financial relationship between the

auditor and the audit client may create a self-interest threat. The perceived threat to independence grows with the amount/size of the ensuing fee payable, and the self-interest caveat is thus increased further by providing Non-audit services to the audit client. But the most significant dimension of any threat, real or perceived, is likely to be the size of the total fees earned from a client in relation to the whole fees of the auditing firm (Bartlett, 2006).

- **The Self-Review Threat**

This relates to the difficulty of maintaining objectivity when conducting a self-review procedure. This can arise when any product or judgment from a previous audit (or non-audit) assignment needs to be challenged, or re-evaluated in reaching the current audit conclusions; or when a member of the audit team has previously been a director or officer of the audit client, or was employed in any position likely to affect the subject matter of the audit engagement. Therefore an auditor should give careful consideration to every issue bearing on the self-review threats. This includes the materiality of the amounts involved (in relation to the financial statements) and the degree of subjectivity inherent in any judgment of the elements concerned (Ojo, 2009).

- **The Advocacy Threat**

This occurs when the auditor promotes, or is perceived to promote, a client's opinion to a point where people may believe that objectivity is getting compromised. For instance, advocacy in any sharpened form is likely to threaten an auditor's independence, and appears to be incompatible with the particular objectivity required by the audit-reporting role. This separation of roles is vital to auditor's credibility. Therefore, if a firm, or a member of the audit team, becomes an advocate for (or against) the audit client's position in any adversarial proceedings (or situations) there may be serious ethical compromise. Examples of this confusion of roles may occur when acting as an advocate on behalf of the client in litigation; or when the client litigates against the auditor; when Business and Management Review dealing in or promoting shares (or securities) issued by the client. These activities are obviously considered likely to impair or compromise auditor independence (Sharma, 2006).

2.1.4 Determinants of Auditor Independence

Literature has identified a number of factors which influence audit independence. These factors include: size of audit firm; level of competition in the audit services market; tenure of audit firms serving the needs of a given client; size of audit fees received by audit firms; provision of managerial advisory services by audit firms to the audit clients; and existence of audit committee.

- **Size of Audit Firm**

Larger audit firms are often considered to be more able to resist pressures from management (i.e. higher auditor's independence). Abu Baker and Ahmad, (2009) opined that there is a positive relationship between audit firm size and audit independence. They argued that certain characteristics inherent in small audit practices may increase the danger of impairment of independence, for example, the tendency towards a more personalized mode of service and close relationship with client. However, it should not be assumed that firms act independently because the use of large audit firm is no guarantee of its ability to resist pressures from clients (Enron, 2013).

- **Level of Competition in the Audit Services Market**

Competition has been identified as the most important environmental change or external factor affecting auditor independence (Shockley, 2011). Firms operating in an intensely competitive environment may have difficulty remaining independent since the client can easily obtain the services of another auditor. Shockley proved that the high level of competition in the audit firm has resulted in less auditor independence. However, Gul (2009) found the opposite. He argued that the existence of competition caused auditors to be more independent and create a favourable image in order to maintain their clients.

- **Tenure of an Audit Firm Serving the Needs of a Given Client**

An audit firm's tenure, which is the length of time it has been filling the audit needs of a given client, has been mentioned as having an influence on the risk of losing an auditor's independence. A long association between a company and an accounting firm may lead to such close identification of the accounting firm with the interests of its client's management that truly independent action by the accounting firm becomes difficult pointed out that complacency, lack of innovation, less rigorous audit procedures and a learned confidence in the client may arise after a long association. The United States Congressional Subcommittee on Reports, Accounting and Management considered that the above dangers are serious enough to recommend the mandatory rotation of auditors as a possible remedy. Rotation ensures that the auditor remains independent since tenure will be limited and any vested interest will no longer be relevant.

2.2 Theoretical Framework

2.2.1 Agency Theory

This study is anchored on the Agency theory which was developed by Michael in the year 1976. Agency theory explained the relationship between principals, (such as a shareholders, and agents

in business (such as a company's executives). In this relationship the principal delegates or hires an agent to perform work. The theory attempts to deal with two specific problems: first, that the goals of the principal and agent are not in conflict (agency problem), and second, that the principal and agent reconcile different tolerances for risk. Auditing plays a vital role in reducing both: information asymmetry by empirically confirming the validity of financial statements and agency problems. The principal-agent conflict illustrated in agency theory, where principal (owner) lack reasons to believe their agents (managers) because of information asymmetries and contradictory motives. Information asymmetry deals with the study of decisions in transactions where one party has more or superior information than other. The contradictory motives such as financial rewards, labor market opportunities, and associations with other parties that are not directly related to principals can, for example, consequence for agents to be more optimistic about the economic performance of an entity rather than a performance of whole company. Differing motivations and information asymmetries decrease reliability of information, which cause breach of trust that principals will have on their agents. Therefore auditors as a third party used to try to align the interests of agents with principals and to let principals to gauge and manage the behavior of their agents and strengthen trust on agents. This, however, brings new concept of auditors as agents, which leads to breach of trust, threats to objectivity and independence. When auditors perform an audit they are acting as agents for principals and this liaison therefore arising similar issues of trust and confidence as the director-shareholder relationship, prompting questions about who is auditing the auditor. Agents (either directors or auditors) may be trustworthy without further incentives to align interest or monitoring strategies such as audit or increased regulation. However, the simple agency model would recommend that agents are untrustworthy because managers, auditors will have their own interests and motives. Independent auditor from the board of directors is of huge importance to shareholders and key factor to deliver high audit quality. However, an audit obliges a close working relationship with the board of directors of a company. The fostering of this close relationship has led question mark on the independence of auditors and ultimately question mark on audit quality (The Institute of Chartered Accountants in England & Wales, 2005). This theory relate to this study as it revealed the relationship between audit fee and auditors independence.

2.3 Review of Empirical Study

Patric and Vitalis (2017) carried out a study on the effect of auditor independence on audit quality in Nigeria. The study was guided by three research questions and ex post facto research design was employed. The data used was a secondary data collected from journals, text books and other internet materials. The data collected was analyzed using simple percentage and mean. The finding revealed that there is a strong relationship between auditor independence and audit quality. The review also revealed four threats to auditor independence, which are client importance, non-audit services (NAS), audit tenure, and client's affiliation with firms.

Deegan (2010) carried out a study on auditor independence as correlate of audit quality in Nigeria. The study was guided by one research questions and ex post facto research design was employed. The data used was a secondary data collected from internet. The data collected was analyzed using Pearson product moment correlation. The finding revealed that there is a strong relationship between auditor independence and audit quality.

Abdul, Sutrisno, Rosidi and Achsin (2014) investigated the effect of competence and auditor independence on audit quality with audit time budget and professional commitment as a moderation variable in Indonesia. Primary data in form of a public accountant's perception of auditor's competence, independence, audit time budget, professional commitment and audit quality were collected through questionnaires. The sample size of 278 public accountants was randomly selected. Partial least square (PLS) was used to analyse the data. Findings from this work revealed that auditor's competence has positive effect on audit quality. This means that the higher the auditor's competence, the higher the audit quality. Second: auditor's independence has a positive effect on audit quality. It means that the higher the auditor independence, the higher the audit quality.

Sylvia, Fitriany, Arie and Viska (2012) examined the effect of auditor rotation and audit tenure of the public accountant and the public accounting firm on audit quality (before and after the implementation of the mandatory auditor rotation regulation) in Indonesia. The researchers used two observation periods in the study: year 1999-2001 to represent years before mandatory auditor rotation regulation and year 2004-2008 for years after the mandatory auditor rotation regulation. Descriptive statistics and regression were used to analyze the data for both periods. Results showed that longer audit tenure became associated with lower audit quality for the period after mandatory auditor rotation, but conversely

for the period before it became mandatory, longer audit tenure increased audit quality.

Ahmed (2014) investigated the professional auditors' perception of the impact of audit firm rotation on audit quality in Egypt. Primary data were collected via questionnaires and used. A sample size of 83 auditors was drawn using non-probabilistic sampling technique. T-test was used to analyse the data. Findings revealed that the auditors' perception indicate that there is a negative relation between long audit tenure and audit quality. There is a negative relation between client-specific knowledge and mandatory auditor rotation. There is a positive relation between auditors' independence and mandatory auditor rotation.

Mahmoud (2015) examined the effect of joint audit on audit quality: Empirical evidence from companies listed on the Egyptian stock exchange. A sample of 32 companies listed on the Egyptian stock exchange in the period 2009 through 2013 representing 160 firm- year observations was determined. Multiple regression model was used to analyse the data. Findings showed that companies audited by joint auditors are more conservative than companies audited

by single auditors. The study design did not disclose the entire population where a sample of thirty two was taken.

3.0 METHOD

The study adopted descriptive survey design and attention was paid to the variables of the study. The Spearman Rank Order Correlation Coefficient (SROCC) was adopted for the purpose of data analysis. The SROCC is a type of non-experimental research method in which a researcher measures two variables, understands and assesses the statistical relationship between them with no influence from any extraneous variable. The study is delimited to practising accountants in three parastatals under the Ministry of Federal Capital Territory Administration, Abuja. which include Federal Capital Development Authority (FCDA) with a population of 50 practising accountants, FCT Internal Revenue Service with a population of 35 practising accountants and Abuja Property Development Company with a population of 35 practising accountants giving a total of 120 staff (Source: Field Survey, 2019)

Table 1: Sampling Frame

S/N	Parastatals	Population
1	Federal Capital Development Authority	50
2	FCT Internal Revenue Service	35
3	Abuja Property Development Company	35
4	Abuja Environmental Protection Agency	22
5	Abuja Investment and Infrastructure Centre	31
6	FCT Universal Basic Education Board	34
7	Abuja Investment Company Ltd	34
8	FCT Secondary Education Board	28
9	FCT Scholarship Board	30
10	FCT Primary Healthcare Development Board	33

Source: Field Survey, 2019.

Table 2: Distribution of the Population

S/N	Parastatal	Total Population
1	Federal Capital Territory Administration, Abuja	50
2	FCT Internal Revenue Service	35
3	Abuja Property Development Company	35
Total		120

Source: Field Survey, 2019.

The distribution above was selected by taking 25 percent of the total number of parastatals in the above sampling frame, thereby selecting the parastatals with the highest employee population. The sample size was determined using Taro Yamene formula. Since the population is large, the researcher adopted Taro Yamene to sample the population. This is shown as follows:

$$n = \frac{N}{1+N(e)^2}$$

where,

n = sample size

N = population size

e = error of significance

1 = constant

Using the formula, we have

Therefore, let n? N = 120, e = 5% or 0.05

$$n = \frac{120}{1+120(0.05)^2}$$

$$n = 92 \cong 92$$

The instrument (questionnaire) used in eliciting data for the study was subjected to face and content validity to ensure it measures what it is supposed to measure. The choice of face validity was to ensure that the instrument is valid on the face value; to make sure the questionnaire is properly structured and appealing to the respondents and to ensure that simple and unambiguous languages are used.

However, to determine the reliability of the instrument, a test-retest method was employed by administering the same questionnaire to a group of participants for one day. To determine the reliability of the questionnaire, the Spearman Rank Order Correlation Coefficient was used to assess the strength

of the relationship between the two sets of results from the copies of questionnaires.

The Spearman Rank Order Correlation Coefficient formula is given below;

$$r_s \text{ (Or P)} = 1 - \frac{6\sum d^2}{N^3 - N} \text{ OR } 1 - \frac{6\sum d^2}{N(N^2 - 1)}$$

Where r_s = Spearman Rank Order Correlation Coefficient.

1 = Unity i.e. perfect correlation from which any value in the quality may be taken to reduce the coefficient.

6 = This is the constant value.

$\sum d^2$ = The sum of the difference in ranks squared.

N = Number of cases.

Decision rule: Accept the instrument if the result is ≥ 0.5

Table 3: Test and Re-test Table Values for the Instrument

S/N	Pre-test	Post-test	D	d^2
1	3	2	1	1
2	2	3	1	1
3	2	2	0	0
4	7	8	1	1
5	6	4	2	4
6	1	3	2	4
7	8	5	3	9
8	7	7	0	0
9	2	2	0	0
10	8	5	3	9
Total				29

Source: Field Survey, 2018.

Using the Spearman Rank Correlation Coefficient formula, the reliability of instrument D was calculated as thus;

$$r_s \text{ (Or P)} = 1 - \frac{6\sum d^2}{N^3 - N} \text{ OR } 1 - \frac{6\sum d^2}{N(N^2 - 1)}$$

$$r_s = \frac{6(29)}{9(10^2 - 1)} = \frac{174}{720} =$$

$$r_s = 1 - 0.24 = 0.75.$$

After the computation, the reliability of 0.75 was obtained. This was considered high enough for the instruments to be reliable

3.1 Method of Data Analysis

The data collected for the study would be presented in table and analysed using frequency distributions and percentage. The Pearson product moment correlation coefficient will be employed in analyzing the statistical data with the aim of establishing the strength of relationship between the dependent and independent variables. Therefore the three hypothesis; H_{01} and H_{03} will be tested using Pearson product moment correlation.

$$r^2 = \frac{n \sum xy - \sum x \sum y}{(n \sum x^2 - \sum(x)^2)(n \sum y^2 - \sum(y)^2)}$$

$0 < r^2 < 1$

Decision Rule: accept the null hypothesis when the alpha value is greater than the probability values, otherwise we reject. Also to accept the item, mean response (\bar{x}) must be greater than mean of weight (x) otherwise the item is rejected.

4. RESULTS AND DISCUSSION

4.1 Test of Hypotheses

Hypothesis I

H_0 : There is no significant effect of centralized payment for audit services on audit quality

Decision rule: Accept the null hypothesis when the probability value is greater than the alpha value, otherwise we reject

Level of significant = 0.05

Descriptive Statistics

	Mean	Std. Deviation	N
Audit services	18.800	16.001	5
Audit quality	18.800	17.023	5

Correlations

		Audit services	Audit quality
Audit services	Pearson Correlation	1	.940
	Sig. (2-tailed)		.004
	N	5	5
Audit quality	Pearson Correlation	.940	1
	Sig. (2-tailed)	.004	
	N	5	5

From the analysis above, it shows that the probability value(0.001) is less than the alpha value (0.05), the researcher rejects the null hypothesis and conclude that there is significant positive effect of centralized payment for audit services on audit quality with a correlation value of 0.940.

Hypothesis II

H_0 : There is no significant effect of centralized payment for Non-audit services on audit tenure

Decision rule: Accept the null hypothesis when the probability value is greater than the alpha value, otherwise we reject

Level of significant = 0.05

Descriptive Statistics

	Mean	Std. Deviation	N
Auditors provision of not-audit service	18.800	16.001	5
Audit quality	18.800	17.023	5

Correlations

		Auditors provision of Non-audit services	Audit tenure
Auditors provision of Non-audit service	Pearson Correlation	1	.790
	Sig. (2-tailed)		.003
	N	5	5
Audit tenure	Pearson Correlation	.790	1
	Sig. (2-tailed)	.003	
	N	5	5

From the analysis above, it shows that the probability value(0.001) is less than the alpha value (0.05), the researcher reject the null hypothesis and conclude that there is significant positive effect of centralized payment for provision of non-audit service on audit tenure with a correlation value of 0.790.

5. CONCLUSION AND RECOMMENDATIONS

This study focused on analysing the effect of centralized payment of audit fees on the independence of Auditors by focusing on the Nigerian public sector. The survey design was adopted and data were obtained through the questionnaire that was specifically designed for this study. Analysis of data was done by

means of descriptive and inferential statistics. Based on the analysis, the researcher concludes that there is a significant relationship between audit tenure and audit quality and that the centralized audit fee payment system being practiced in Nigerian Public Sector, have significant positive effect on auditors' independence with evidence from the Federal Capital Territory Administration, Abuja.

From the analysis the following major findings emanated:

1. There is a significant positive effect of centralized payment for audit services on audit quality in the federal capital territory ($r = 0.940 > r = 0.75$: $\alpha = 0.05$).
1. Centralized payment for Auditors' provision of non-audit services has positive effect on audit tenure in the federal capital territory ($r = 0.790 > r = 0.707$: $\alpha = 0.05$).

Based on the findings from this study, the researcher recommends a paradigm shift toward the centralised payment of the audit fees on behalf of parastatals and agencies by the supervising ministries in order to enhance external auditor's independence.

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